



**BISNIS**



# Country Commercial Briefing: Kazakhstan Caspian Finance Seminar



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Business Information Service for the Newly Independent  
States

U.S. Commercial Service  
U.S. Department of Commerce

# **Country Overview**

**Total Area: 2.7 million sq km**

**Capital: Astana; Financial Center: Almaty**

**Political Stability**

**Economic Reform Continuing**

**Challenging Business Environment**

**Major Industries: oil & gas, metals, food,  
chemicals, machinery, power generation**

## Country rating

	Fitch IBCA	Moody's	Standard & Poor's
1996	BB-	Ba3	BB-
1998	BB	Ba3	B+
1999	BB-	B1	B+
2000	BB-	B2	BB-

## **Best Prospects - Kazakhstan**

- Oil/Gas equipment and services
- Construction
- Agribusiness/Food Processing
- Telecommunications
- Consumer
  - Mining/Construction Equipment)
  - Medical Equip. & Pharmaceuticals
  - Metallurgical/Metal Working Equipment
  - Computers, Peripherals, Business Equip.
  - Services

## **Kazakhstan's Oil & Gas Sector**

- **Kazakhstan is the second largest oil producer among the former Soviet Republics after Russia, producing over 800,000 barrels per day.**
- **Proven oil reserves of 16 billion barrels**
- **60 billion barrels both onshore and under its portion of the Caspian seabed.**

# **Kazakhstan's Oil & Gas Sector: Investment Climate Developments**

- **Energy Partnership Declaration signed by Presidents Bush & Nazarbaev in December 2001**
- **Continued government attempts to open subsurface use contracts for re-negotiation**
- **Import substitution policies (each national and foreign company has to pledge procurement of certain items from local suppliers)**

# **Kazakhstan's Oil & Gas Sector: Investment Climate Developments**

- **Agip KCO (former OKIOC):**
  - exploration drilling, creation of artificial islands, purchase of additional sets of drilling equipment
- **KIO (Karachaganak field):**
  - expected 4 billion USD of investments in 2002-2004 to increase crude oil production from 4.8 million tons (2001) to 10.4 million tons
- **TCO (Tengiz field)**
  - “second generation” oil refinery project requiring 2 billion USD of investments

# **Kazakhstan's Oil & Gas Sector: Investment Climate Developments**

## **Agip KCO**

- **In 2002, Consortium Agip KCO plans to maintain investments at the same level of \$400 million to \$500 million that it invested in 2001 in drilling in the Kazakh sector of the Caspian shelf.**
- **The consortium plans to sign contracts worth \$33 million to \$35 million with local Kazakh companies, up from \$17.7 million in 2000.**



# **Kazakhstan's Oil & Gas Sector: Investment Climate Developments**

## **Karachaganak Integrated Organization (KIO)**

- KIO has already invested in excess of \$2 billion in the Karachaganak project.
- By mid-2003, when phase 2 of the field development is to be completed, investments will have totaled \$3-5 billion.
- Building the 635-kilometer Tengiz-Big Chagan-Atyrau oil pipeline that will be connected to the Tengiz-Novorossiysk pipeline

# **Kazakhstan's Oil & Gas Sector: Investment Climate Developments**

## **Tengizchevroil (TCO)**

- **By 2004--05, TCO plans to raise annual production of oil by 7 million tons per year, bringing total production to 19 million tons per year**
- **To increase the number of active wells at the Tengiz field from 48 to 90. Production growth is to be boosted by recovery increase at the Korolev field.**
- **TCO's long-term plans call for raising annual production to 30 million tons by the end of this decade.**

# **Kazakhstan's Oil & Gas Sector: Investment Climate Developments**

- February 2002 was marked by significant changes to the structure of Kazakhstan's national oil companies. The Kazakh national companies Kazakhoil and Transportneftigaz (TNG), have merged into a single closed joint-stock company: KazMunaiGaz (KMG) National Company.
- This was done by Presidential Decree, signed on February 20, 2002.

# **Kazakhstan's Oil & Gas Sector: Investment Climate Developments**

- **On May 13, 2002 the presidents of Kazakhstan and Russia signed a protocol splitting three gas fields in the northern Caspian Sea**
- **The protocol divides the fields along the sea's floor, giving Russia and Kazakhstan equal shares in the Kurmangazy, Tsentralnoye, and Khvalynskoye fields.**

## Kazakhstan's Oil & Gas Sector: Investment Climate Developments

<u>Field</u>	<u>Reserves (mln tn)</u>	<u>Jurisdiction</u>
Khvalynskoye	250	Russia
Central	350	Russia
Kurmangazy	600	Kazakhstan

# **Kazakhstan's Oil & Gas Sector: Investment Climate Developments**

- **Kazakhstan's Oil & Gas transportation system:**
  - currently managed by the national company KMG; KMG works to computerize its activities, introduce Supervisory Control and Data Acquisition System (SCADA) and Supervisory System of the company's activities (SAPR); reduction of energy and labor intensity of the projects. Total projected investments for 2002-2003 - up to 1 billion USD
- **Kazakhstan's tanker fleet:**
  - Kazmortransflot 50% owned by KMG plans to start carrying out maritime operations in Caspian, Black and Baltic Seas

## Doing Business in Kazakhstan

- Hiring legal and accounting professionals with “on ground” experience
- Taking into account the extreme price sensitivity of Kazakhstani consumers
- Establishing satellite office in Astana
- Kazakhstan is more European than Asian

## Strategies for Success in Kazakhstan

- Finding reliable, credit-worthy partner
- Working through a country wide distributor or agent
- Preparing detailed marketing survey before launching a product
- Providing after-sales service
- Brining investments to Kazakhstan



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